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District Counsel

IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re

TULARE LOCAL HEALTHCARE
DISTRICT, dba TULARE
REGIONAL MEDICAL CENTER,

Debtor.

Tax ID #: 94-6002897
Address: 869 N. Cherry St.
Tulare, CA 93274

CASE NO. 17-13797

Chapter 9

DC No.: WW-24

Date: February 15, 2018

Time: 9:30 a.m.

Place: 2500 Tulare Street
Fresno, CA 93721
Courtroom 13

Judge: Honorable René Lastreto II

**DECLARATION OF SANFORD HASKINS IN SUPPORT OF MOTION FOR
AUTHORITY TO BORROW AND GIVE SECURITY AND TO PROVIDE ADEQUATE
PROTECTION (INSURANCE PREMIUM FINANCE AGREEMENT)**

I, Sanford Haskins, declare as follows:

1 1. I am the Chief Administrative Officer of Tulare Local Healthcare
2 District, dba Tulare Regional Medical Center ("TRMC" or "Debtor"), the Debtor in the
3 above-captioned Chapter 9 case.

4 2. I have personal knowledge of the facts contained herein and if I was called
5 as a witness, I would and could testify as is set out in this Declaration. I am over the
6 age of 18 and I am competent to testify as to the matters contained in this Declaration.

7 3. As Chief Administrative Officer of TRMC I am personally familiar with the
8 issues to be resolved by this Motion.

9 4. I have personally reviewed the Motion for Authority to Borrow and Give
10 Security and to Provide Adequate Protection ("Motion"), by which TRMC seeks
11 authorization to enter into a Commercial Premium Finance Agreement ("Agreement")
12 with FIRST Insurance Funding, a Division of Lake Forest Bank & Trust Company, N.A.
13 ("FIRST") and to perform all obligations thereunder, and to provide adequate protection.

14 5. This case was filed as a Chapter 9 case on September 30, 2017 ("Petition
15 Date").

16 6. TRMC is a California healthcare district located in Western Tulare County.

17 7. TRMC is in the business of owning a hospital and other healthcare
18 facilities.

19 8. As part of its operations, TRMC is required to maintain adequate
20 insurance coverage. Without such coverages TRMC would be forced to cease
21 operations.

22 9. Accordingly, prior to the Petition Date, TRMC entered into a contract with
23 Affiliated AF Insurance Company by which certain property and casualty coverages are
24 provided ("the Policies").
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10. The Policies are essential to TRMC's business operations.

11. As of the date of this Motion the annual premiums for 2017/2018 required under the Policies are \$139,087. Of this sum TRMC is prepared to pay \$70,000 which it has the cash to do. The cash is not subject to liens.

12. This leaves \$69,087 in premiums required under the Policies.

13. In order to secure payment of the remaining premium amounts required, TRMC is prepared to enter into and execute the Agreement with FIRST. A true and correct copy is attached hereto as Exhibit A.

14. The basic terms of the Agreement are as follows:

A. Lender – FIRST Insurance Funding, a Division of Lake Forest Bank & Trust Company, N.A.

B. Total Premiums, Taxes and Fees - \$139,087;

C. Down Payment - \$70,000.00;

D. Loan amount –\$69,087.00;

E. Interest Details –

i. Annual Percentage Rate – 6.200%

ii. Total interest paid - Approximately \$2,738.96;

F. Term of loan – four monthly payments;

G. Installment Details –

i. \$17,956.49 each;

ii. Due on the first of the month;

iii. Beginning on January 1, 2018;

H. Use of funds – The funds from the loan will be used for insurance premiums on the Policies;

I. Security – A first priority security interest in the Policies and any additional premiums required under the Policies, including all return premiums, dividend payments, and loss payments which reduce unearned premium.

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J. Attorney-In-Fact – FIRST is appointed as attorney-in-fact with irrevocable power to cancel the Property and Casualty Insurance Policy in the event of default under the Agreement.

K. The loan will not prime any existing security interests.

16. The cash down payments of \$70,000 on this loan will be made from cash on hand, which is free of liens.

17. Additionally, TRMC and FIRST have agreed that TRMC shall provide FIRST with adequate protection as follows ("Adequate Protection"):

A. TRMC is authorized and directed to make timely payments due under the Agreement and FIRST is authorized to receive and apply such payments to the indebtedness owed by TRMC to FIRST under the Agreement.

B. If TRMC fails to make any of the payments due under the Agreement as they become due the automatic stay shall automatically lift to enable FIRST and/or third parties, including insurance companies providing the coverage under the Policies, to take all necessary and appropriate actions to cancel the Policies, collect the collateral, and apply such collateral to the indebtedness owed to FIRST by TRMC under the Agreement. In exercising such rights, FIRST and/or third parties shall comply with the notice and other relevant provisions of the Agreement.

18. TRMC believes that the terms of the Agreement and the Adequate Protection are commercially fair and reasonable in light of the circumstances including the granting of the security interest(s) described above to FIRST because TRMC is required to maintain adequate insurance coverage and without it would be forced to cease operations and because TRMC has been unable to obtain unsecured credit to fund the Policies.

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2 19. TRMC believes that the relief requested by this Motion is warranted and
3 appropriate under the circumstances and submits that authorization of the Agreement
4 will ensure that it can continue its necessary operations and will not prejudice the
5 legitimate interests of creditors and other parties in interest, including TRMC's secured
6 creditors.

7 I so declare under penalty of perjury and represent this 18th day of January,
8 2018 at Portland, Oregon.

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10 _____
11 Sanford Haskins
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